

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: INTERSTATE NAVIGATION COMPANY        :**  
**EARNINGS REPORTS                                :**       **DOCKET NO. 4373**

**ORDER**

**I.       2019 Earnings Report**

On September 11, 2020, Interstate filed with the Public Utilities Commission (Commission) its earnings report for the Fiscal Year ending (FYE) May 31, 2019. Interstate is required to file annual earnings reports that allow for a 50/50 sharing of earnings between Interstate and ratepayers where the return on equity (ROE) is in excess of 12%.<sup>1</sup> The method of sharing is subject to review by the Division of Public Utilities and Carriers (Division) and approval of the Commission.<sup>2</sup> Interstate’s FYE May 31, 2019 earnings report showed earnings in excess of the 12% ceiling in the amount of \$1,519,533.<sup>3</sup> The ratepayers’ half was \$759,767 plus an additional \$42,880 resulting from the Tax Cuts and Jobs Act of 2017, which reduced the corporate income tax. Interstate requested that the entire \$802,647 be deposited in a capital reserve account that was approved by the PUC in 2018. Interstate noted that this was consistent with the treatment of overearnings for the period 2014-2018.<sup>4</sup>

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<sup>1</sup> “Earnings in excess of 12% will be shared 50% for the stockholders and 50% for the ratepayers. Prior to proposing a method of crediting earnings above the [12.0]% threshold applicable to the ratepayers, Interstate will consult with the Division [of Public Utilities and Carriers (Division)] to propose a mutually acceptable method. The agreed upon method will then be filed with the Commission for review and approval.” Order No. 21069 at App. A, Section III (Docket No. 4373 Settlement Agreement).

*Id.* On April 29, 2013, the Commission approved Interstate’s revenue requirement and associated rates for effect May 24, 2013.<sup>2</sup> As part of the PUC Order, Interstate was allowed a Return on Equity of 11%, but with an Earnings Sharing Mechanism that begins at 12%. [http://www.ripuc.ri.gov/eventsactions/docket/4373-Interstate-Ord21069\(6-20-13\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4373-Interstate-Ord21069(6-20-13).pdf).

<sup>3</sup> Interstate’s Earnings Report (Sept. 11, 2020); <http://www.ripuc.ri.gov/eventsactions/docket/4373-INTERSTATE-ROE-Filing%209-11-20.pdf>.

<sup>4</sup> Order No. 23287; [http://www.ripuc.ri.gov/eventsactions/docket/4373-4792-Interstate-Ord23287%20\(10-4-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4373-4792-Interstate-Ord23287%20(10-4-18).pdf)

On October 14, 2020, the Division submitted a memorandum from John Bell, Chief Accountant, indicating that the overearnings were correctly calculated. The Division did not object to Interstate's proposed disposition of the funds, noting that Interstate explained these funds would be used toward repowering the M/V *Anna C.* Mr. Bell stated that this capital project was one of those contemplated when the fund was established. He explained that ratepayers benefit from this funding methodology because Interstate's rate base will be reduced. This will result in a moderation of future rate impacts.<sup>5</sup>

Mr. Bell also noted that as a result of the Commission's approval of a settlement in 2020, Interstate's non-commuter passenger rates were reduced effective February 21, 2020. Therefore, the Division anticipated that the trend of excess earnings should be lower. In addition, commencing with the FYE May 31, 2020 earnings report, Interstate had agreed to increase the ratepayers' portion of the overearnings from 50% to 75%. The Division committed to monitoring Interstate's earnings to determine if any additional ratemaking mechanisms will be warranted.<sup>6</sup>

## **II. Commission Findings**

At an Open Meeting on January 22, 2021, after a review of the filings, the Commission approved Interstate's proposal, finding the earnings report for the FYE May 31, 2019 to be in compliance with prior Commission orders and approving the transfer of funds to the capital reserve. The Commission accepts the Division's analysis as the basis for finding the proposed use of overearnings to be a benefit to ratepayers.

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<sup>5</sup> Bell Mem. at 1 (Oct. 14, 2020); <http://www.ripuc.ri.gov/eventsactions/docket/4373-DIV-Memo%20FY%202019%20Earnings%2010-14-20.pdf>.

<sup>6</sup> *Id.* at 2.

Accordingly, it is hereby

(23991) ORDERED:

1. Interstate Navigation Company's Earnings Report for the Fiscal Year Ending May 31, 2019 is hereby found to be in compliance with prior Commission orders.
2. Interstate Navigation Company may transfer \$802,647 to the capital reserve account.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 22, 2021 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED FEBRUARY 4, 2020.

PUBLIC UTILITIES COMMISSION



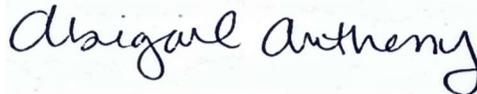
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Ronald T. Gerwatowski, Chairman



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Marion S. Gold, Commissioner



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Abigail Anthony, Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.